

Message Text

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TAGS: ETRD, CH, US

SUBJECT: CLOSING DAYS OF SPRING 1974 CANTON FAIR

REF: HONG KONG 5214 AND 4640

SUMMARY: AS THE SPRING CANTON FAIR DRAWS TO A CLOSE, THE BUSINESS OUTLOOK REMAINS DISMAL. IT DID NOT APPEAR THAT ANY LAST MINUTE SURGES IN BUSINESS ACTIVITY WERE IN THE OFFING. THE LOWER LEVEL OF PRC SALES APPEARS TO REFLECT SHORTAGES OF SUPPLY PROBABLY RELATED TO OVER-SELLING AT THE FALL FAIR OR BETWEEN THE FAIRS. THE CURRENT IDEOLOGICAL CAMPAIGN SEEMS TO HAVE HAD NO EFFECT ON THE NEGOTIATING ATMOSPHERE OR ON ATTITUDES TOWARD FOREIGN BUSINESSMEN.

A RECORD NUMBER OF AMERICAN FIRMS (175) HAVE BEEN REPRESENTED, BUT THE VALUE OF CONTRACTS SIGNED IS DOWN SHARPLY COMPARED TO LAST FALL, AS MUCH AS 50 PERCENT ON THE US PURCHASES SIDE. END SUMMARY.

1. USLO OFFICER ROPE AND DEPTOFF LINCOLN, WHO VISITED CANTON FROM MAY 10 TO 13, HAVE PROVIDED FOLLOWING SUPPLEMENTARY REPORT ON LATTER PART OF CANTON FAIR:

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2. 35TH FAIR CONTINUED TO BE DISAPPOINTING AS IT DRAGGED

TOWARD A CONCLUSION. AS THE FAIR ENTERED ITS LAST DAY, THERE WAS NO APPARENT LAST MINUTE LOWERING OF PRICES BY THE CHINESE AS SOME HAD EXPECTED NOR ANY SIGN OF A PICKUP OF BUSINESS, WITH THE POSSIBLE EXCEPTION OF CHEMICALS. PRICES CONTINUED TO BE HIGH -- AT OR ABOVE WORLD LEVELS; MANY MANUFACTURED ITEMS REMAINED IN SHORT SUPPLY, AND MANY TYPES OF CHINESE MINERAL AND CRUDE MATERIAL EXPORTS WERE NOT AVAILABLE. THE FAIR DID NOT OPEN FOR BUSINESS ON THE FINAL SUNDAY AS HAS SOMETIMES BEEN DONE. IN FACT, A NUMBER OF US BUSINESSMEN GAVE UP AND WENT HOME OVER THE WEEKEND.

3. LATEST ESTIMATE IS THAT A RECORD 175 OR MORE US FIRMS WERE REPRESENTED AT THIS FAIR (SOME 100 OF WHICH DIRECTLY FROM THE US) AND THAT CLOSE TO 250 AMERICANS INCLUDING SOME DEPENDENTS HAD ATTENDED. ABOUT 65 PERCENT OF THE AMERICAN FIRMS COULD BE CLASSIFIED AS IMPORTERS, 25 PERCENT IMPORTER-EXPORTERS, 10 PERCENT EXPORTERS. ONLY A FEW MAJOR US MANUFACTURING FIRMS WERE INVITED; AMONG TRADE ASSOCIATIONS, ONLY THE NCUSCT AND THE AMERICAN IMPORTERS ASSOCIATION ATTENDED; AND THERE WAS ONLY ONE US OIL FIRM AT THE FAIR (PENZOIL, WHICH ATTENDED THE BAKER OIL TOOLS TRADING AFFILIATE).

4. TOTAL US PURCHASES AT THIS FAIR MAY BE IN THE NEIGHBORHOOD OF DOLS 15 MILLION, OR 40 TO 50 PERCENT LESS THAN LAST FALL. JUDGING BY LENGTHY DELIVERY PERIODS AND OTHER EVIDENCE, CHINESE HAVE PROBABLY OVERSOLD WORLDWIDE IN MANY CATEGORIES AT THE PREVIOUS FAIR AND PERIOD BETWEEN FAIRS, AND THUS MAY BE MAKING AN ADJUSTMENT AT THIS FAIR BY COMMITTING THEMSELVES TO SMALLER QUANTITIES ON SHORTER DELIVERY TERMS. THE RELATIVELY LOW VOLUME OF PURCHASES BY US IMPORTERS SHEDS SOME DOUBT THAT THE USG ESTIMATE OF DOLS 100-120 MILLION OF US IMPORTS OF PRC PRODUCTS IN 1974 WILL BE MET. US SALES TO CHINA AT THE FAIR HAVE BEEN VERY LIMITED AND NO ESTIMATE IS YET POSSIBLE.

5. WITH REGARD TO POTENTIAL US EQUIPMENT SALES, SEVERAL OIL FIELD EQUIPMENT MANUFACTURERS WERE REPRESENTED. THESE FIRMS, AFTER A SOMEWHAT DISAPPOINTING START, WERE ABLE TO CONDUCT USEFUL DISCUSSIONS WITH END-USERS BROUGHT FROM PEKING AND WERE ENCOURAGED BY THE OUTCOME OF THE TALKS. THERE WERE FEW OTHER US MANUFACTURERS WITH A PRIMARY INTEREST IN EXPORTING LIMITED OFFICIAL USE

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TO THE PRC. MOST SIGNIFICANT OF THESE WAS THE CINCINNATI MILLICRON COMPANY, A MAJOR MACHINE TOOLS MANUFACTURER, AND THE UNITED SHOE CORPORATION, REPRESENTED BY ITS FRENCH AFFILIATE SOPROMO, WHICH SOLD DOLS 500,000 OF SHOE MANUFACTURING MACHINERY. (UNITED SHOE MADE TWO SIMILAR SALES BEFORE IN THIS RANGE - AT THE 1973 FALL FAIR AND IN FEBRUARY OF THIS YEAR.) IN ANOTHER POTENTIALLY IMPORTANT AREA, AN ENGINEER FROM CONTINENTAL CAN COMPANY, IN COOPERATION WITH JARDINE MATHESON HONG

KONG, MADE A TECHNICAL PRESENTATION ON A COMPLETE ASSEMBLY LINE FOR EASY OPEN CANS; THE PRESENTATION APPARENTLY WENT SMOOTHLY AND CONTINENTAL WAS ASKED FOR PRICE QUOTATIONS WHICH WILL BE FORWARDED AFTER THE FAIR.

6. LABELING, PACKAGING, US REGULATIONS - FOR MANY US FIRMS THESE PROBLEMS WERE OVERSHADOWED BECAUSE BASIC AGREEMENT COULD NOT BE REACHED ON PRICE. ALTHOUGH THERE WAS A LITTLE IMPROVEMENT IN THESE AREAS (ESPECIALY IN PACKAGING), CHINESE CONTINUED TO BE FAIRLY INFLEXIBLE. FOR EXAMPLE, ASSOCIATED DRYGOODS, BUYING CHILDRENS APPAREL FOR A NUMBER OF PRESTIGIOUS US DEPARTMENT STORES, WERE UNSUCCESSFUL IN GETTING PRC NEGOTIATORS TO CONSIDER ANY OTHER LABEL THAN THE CHINESE ONE. ONE TRADER DEVELOPED A NEW LABEL FOR A CHINESE PRODUCT, BUT IT TOOK ALMOST A YEAR FOR IT TO BE APPROVED. OFFICIALS OF THE ATALANTA CORPORATION MADE WHAT THEY DESCRIBED AS A SUCCESSFUL PRESENTATION TO THE CHINESE ON THE POSSIBILITY OF PRODUCING CANNED HAMS FOR THE US MARKET; THEIR REQUEST FOR A VISIT TO A HAM PACKAGING COMPANY WAS TURNED DOWN, BUT PRC OFFICIALS INDICATED THAT A VISIT MIGHT BE ARRANGED IN THE FALL.

7. MFN - US BUSINESSMEN AT THE FAIR AGAIN EXPRESSED GENERL CONCERN OVER THE LACK OF MFN TREATMENT, POINTING OUT THAT WHOLE CATEGORIES OF CHINESE PRODUCTS ARE EFFECTIVELY EXCLUDED FROM THE US MARKET. SOME THOUGHT THAT THE ISSUE CLOUDED THE NEGOTIATING ATMOSPHERE. ALTHOUGH PRC OFFICIALS AT THE FAIR CONTINUED TO REFER TO MFN AS AN OBSTACLE TO INCREASED TRADE, HOWEVER, THEY DID NOT SEEM TO BE PRESSING THE ISSUE.

8. US RECEPTION - USLO OFFICER ROPE HOSTED A SUCCESSFUL RECEPTION ON MAY 10 SIMILAR TO THAT GIVEN BY USLO OFFICER HOROWITZ ON APRIL 22, PEKING 668) FOR AMERICAN BUSINESSMEN AND CHINESE OFFICIALS. EIGHTEEN PRC OFFICIALS ATTENDED, LIMITED OFFICIAL USE

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INCLUDING WANG YUNG-CHIEN, DEPUTY SECRETARY GENERAL OF THE FAIR AND REPS OF THE VARIOUS FOREIGN TRADE CORPORATION DELEGATIONS. (ROPE HAD CALLED PREVIOUSLY ON MOST OF THESE FTC OFFICIALS AND HAD CONSTRUCTIVE MEETINGS.) THE ATMOSPHERE WAS VERY CORDIAL, AND CONSISTENT WITH OTHER EVIDENCE THAT AMERICANS WERE AGAIN WARMLY WELCOMED TO CANTON.

9. AS INDICATED IN PREVIOUS MESSAGES, THERE CONTINUED TO BE LITTLE EVIDENCE OF THE ANTI-LIN PIAO ANTI-CONFUCIUS CAMPAIGN AT THE FAIR, AND NO INDICATION THAT CAMPAIGN ACTIVITIES HAD ANY SIGNIFICANT EFFECT ON NEGOTATIONS OR ATTITUDES TOWARD FOREIGN BUSINESSMEN.

10. DESPITE CLASSIFICATION, MUCH OF INFORMATION CONTAINED IN THIS MESSAGE IS COMMERCIALY SENSITIVE AND SHOULD BE

TREATED ACCORDINGLY.
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